

CITY OF OXFORD

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2005

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City of Oxford

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Donald H. Saxton	Mayor	January 1, 2006
Ed Kasper	Council Member	January 1, 2008
Twyla Morlan	Council Member	January 1, 2008
Mary Sue Jiras	Council Member	January 1, 2008
Lynn Crow	Council Member	January 1, 2006
Darrell Ealy	Council Member	January 1, 2006
Kim Schulte	City Clerk/Treasurer	Appointed
Stephen Greenleaf	Attorney	Appointed



Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Oxford, Iowa

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Oxford, Iowa as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Oxford's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2004.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to verify the distribution by fund of the total fund balance at July 1, 2004, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Oxford as of June 30, 2005, and the respective changes in cash basis financial position for the year ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated June 16, 2006 on my consideration of the City of Oxford's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Budgetary comparison information on page 17 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

The City of Oxford, Iowa has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oxford's basic financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sincerely,

Ann M Menke

Ann M. Menke
Certified Public Accountant
Professional Corporation
June 16, 2006

City of Oxford
Statement of Activities and Net Assets - Cash Basis
For the Year Ended June 30, 2005

		Program Receipts	
	Disbursements	Charges for Service	Operating Grants Contributions and Restricted Interest
Functions / Programs:			
Governmental activities:			
Public safety	\$ 26,957	\$ 31,768	\$ -
Public works	95,722	-	64,115
Culture and recreation	18,427	-	-
Community and economic development	877	-	-
General government	39,892	6,141	-
Debt service	134,193	-	-
Total governmental activities	<u>316,068</u>	<u>37,909</u>	<u>64,115</u>
Business type activities			
Garbage	27,025	28,421	-
Water	310,785	115,159	-
Sewer	39,848	71,618	-
Debt service	33,112	-	-
Total business type activities	<u>410,770</u>	<u>215,198</u>	<u>-</u>
Total	<u>\$ 726,838</u>	<u>\$ 253,107</u>	<u>\$ 64,115</u>
General Receipts:			
Property tax levied for:			
General purposes			
Tax increment financing			
Employee benefits			
Debt service			
Grants and contributions not restricted to specific purpose			
Unrestricted interest on investments			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			
Cash Basis Net Assets			
Restricted:			
Debt service			
Water			
Sewer			
Unrestricted			
Total cash basis net assets			

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
\$ 4,811	\$ -	\$ 4,811
(31,607)	-	(31,607)
(18,427)	-	(18,427)
(877)	-	(877)
(33,751)	-	(33,751)
(134,193)	-	(134,193)
(214,044)	-	(214,044)
-	1,396	1,396
-	(195,626)	(195,626)
-	31,770	31,770
-	(33,112)	(33,112)
-	(195,572)	(195,572)
(214,044)	(195,572)	(409,616)
83,028	-	83,028
129,820	-	129,820
6,382	-	6,382
19,990	-	19,990
2,373	-	2,373
4,096	-	4,096
13,447	-	13,447
(19,064)	19,064	-
240,072	19,064	259,136
26,028	(176,508)	(150,480)
85,815	311,725	397,540
\$ 111,843	\$ 135,217	\$ 247,060
526	-	526
-	4,558	4,558
-	20,400	20,400
111,317	110,259	221,576
\$ 111,843	\$ 135,217	\$ 247,060

See notes to financial statements.

City of Oxford
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the Year Ended June 30, 2005

	General	Special Revenue Road Use Tax	Debt Service	Other Non Major Governmental Fund	Total
Receipts:					
Property tax	\$ 83,028	\$ -	\$ 19,990	\$ 6,382	\$ 109,400
TIF revenues	-	-	-	129,820	129,820
Other city tax	3,916	-	-	-	3,916
Licenses and permits	2,824	-	-	-	2,824
Use of money and property	4,096	-	-	-	4,096
Intergovernmental	34,008	64,115	-	-	98,123
Miscellaneous	12,981	-	-	-	12,981
Total receipts	<u>140,853</u>	<u>64,115</u>	<u>19,990</u>	<u>136,202</u>	<u>361,160</u>
Disbursements:					
Operating:					
Public safety	26,957	-	-	-	26,957
Public works	23,344	64,026	-	8,352	95,722
Culture and recreation	15,914	-	-	2,513	18,427
Community and economic development	877	-	-	-	877
General government	39,684	-	-	208	39,892
Debt service	-	-	134,193	-	134,193
Total disbursements	<u>106,776</u>	<u>64,026</u>	<u>134,193</u>	<u>11,073</u>	<u>316,068</u>
(Deficiency) excess of receipts					
(Under) over disbursements	34,077	89	(114,203)	125,129	45,092
Other financing sources (uses):					
Operating transfers in	-	-	114,193	-	114,193
Operating transfers out	<u>(18,674)</u>	<u>-</u>	<u>-</u>	<u>(114,583)</u>	<u>(133,257)</u>
Total other financing sources	<u>(18,674)</u>	<u>-</u>	<u>114,193</u>	<u>(114,583)</u>	<u>(19,064)</u>
Net change in cash balances	15,403	89	(10)	10,546	26,028
Cash balances beginning of year	<u>30,286</u>	<u>10,282</u>	<u>536</u>	<u>44,711</u>	<u>85,815</u>
Cash balances end of year	<u>\$ 45,689</u>	<u>\$ 10,371</u>	<u>\$ 526</u>	<u>\$ 55,257</u>	<u>\$ 111,843</u>
Cash Basis Fund Balances					
Reserved:					
Debt service	-	-	526	-	526
Unreserved:					
General fund	45,689	-	-	-	45,689
Special revenue fund	<u>-</u>	<u>10,371</u>	<u>-</u>	<u>55,257</u>	<u>65,628</u>
Total cash basis fund balances	<u>\$ 45,689</u>	<u>\$ 10,371</u>	<u>\$ 526</u>	<u>\$ 55,257</u>	<u>\$ 111,843</u>

See notes to financial statements.

City of Oxford
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the Year Ended June 30, 2005

	Enterprise Funds			
	Water	Sewer	Other Non Major Proprietary Funds	Total
Operating receipts:				
Charges for services	115,159	71,618	28,421	215,198
Total receipts	115,159	71,618	28,421	215,198
Operating disbursements:				
Business type activities	310,785	39,848	27,025	377,658
Total operating disbursements	310,785	39,848	27,025	377,658
(Deficiency) excess of operating receipts (under) over operating disbursements	(195,626)	31,770	1,396	(162,460)
Non-operating disbursements:				
Debt service	(12,263)	(20,849)	-	(33,112)
Total non-operating disbursements	(12,263)	(20,849)	-	(33,112)
(Deficiency) excess of receipts over (under) disbursements	(207,889)	10,921	1,396	(195,572)
Other financing sources (uses) :				
Operating transfers in	33,629	-	-	33,629
Operating transfers out	(14,565)	-	-	(14,565)
Total other financing sources (uses)	19,064	-	-	19,064
Net change in cash balances	(188,825)	10,921	1,396	(176,508)
Cash balances beginning of year	254,731	53,705	3,289	311,725
Cash balances end of year	\$ 65,906	\$ 64,626	\$ 4,685	\$ 135,217
Cash Basis Fund Balances				
Reserved for debt service	4,558	20,400	-	24,958
Unreserved	61,348	44,226	4,685	110,259
Total cash basis fund balances	\$ 65,906	\$ 64,626	\$ 4,685	\$ 135,217

See notes to financial statements.

City of Oxford
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Oxford is a political subdivision of the State of Iowa located in Johnson County. It was first incorporated in 1868 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens. The population of Oxford was 705 according to the 2000 census.

A. Reporting Entity

For financial reporting purposes, the City of Oxford has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Oxford has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Johnson County Emergency Management Commission, Johnson County Rural Policy Board, East Central Iowa Council of Government, and Johnson County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Oxford
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor governmental or proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

City of Oxford
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Rental Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Oxford, Iowa maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the public works, culture and recreation, debt service, and business type activities functions.

NOTE 2 – CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The city did not have any funds invested in a security considered to be an investment by the Code of Iowa as of June 30, 2005.

City of Oxford
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 2 – CASH AND POOLED INVESTMENTS (Continued)

Interest rate risk – The City’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

NOTE 3– BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 86,000	\$ 20,275	\$ 14,000	\$ 9,213	\$ 20,000	\$ 12,115	\$ 120,000	\$ 41,603
2007	56,000	15,545	14,000	8,719	21,000	11,278	91,000	35,542
2008	36,000	13,026	14,000	8,225	22,000	10,395	72,000	31,646
2009	36,000	11,315	15,000	7,731	23,000	9,477	74,000	28,523
2010	36,000	9,625	16,000	7,201	24,000	8,514	76,000	25,340
2011-15	155,000	23,342	86,000	27,287	133,000	26,869	374,000	77,498
2016-20	22,000	1,733	102,000	11,050	55,000	5,171	179,000	17,954
Total	<u>\$ 427,000</u>	<u>\$ 94,861</u>	<u>\$ 261,000</u>	<u>\$ 79,426</u>	<u>\$ 298,000</u>	<u>\$ 83,819</u>	<u>\$ 986,000</u>	<u>\$ 258,106</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project for the City. The bonds are payable solely from the income and proceeds of the Special Revenue, Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City’s urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

The resolutions providing for the issuance of the water revenue note include the following provisions:

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. The gross receipts of the utility shall be deposited into a Water Revenue Fund, which shall be used for maintaining and operating the utility.

City of Oxford
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 3– BONDS AND NOTES PAYABLE (Continued)

- c. Sufficient monthly transfers shall be made to a separate water revenue note sinking account within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- d. There shall be and there is hereby created a special fund to be known and designated as the Surplus Fund into which there shall be set apart and paid all of the Net Revenues remaining after first making the required payments into the Sinking Fund. All money credited to the Surplus Fund shall be transferred and credited to the Sinking Fund whenever necessary to prevent or remedy a default in the payment of the principal or interest on the Bonds and any Parity Obligations.

NOTE 4 – PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2005 was \$4,783, equal to the required contributions for the year.

NOTE 5 – COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Unused vacation hours are paid upon termination, retirement, or death. Employees accumulate sick leave up to a maximum of 15 days. If not used this sick leave is lost upon termination, retirement, or death. The City had no liability for earned vacation and sick leave as of June 30, 2005.

NOTE 6 – RISK MANAGEMENT

The City of Oxford is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

City of Oxford
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 7 – INTERFUND TRANSFERS

The detail of the interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	\$ 18,674
	Special Revenue	
	Urban Renewal Tax Increment	80,954
	Enterprise	
	Water	<u>14,565</u>
		114,193
Water	Special Revenue	
	Urban Renewal Tax Increment	<u>33,629</u>
Total		<u>\$ 147,822</u>

NOTE 8 – FIRE PROTECTION AGREEMENT

The City of Oxford entered into agreements to provide fire protection to Oxford Township and Hardin Township. An additional amount was paid by Johnson County and Iowa Township for fire protection. However, there was no formal agreement for those amounts. During the year ended June 30, 2005, the following amounts were paid by the individual townships and Johnson County.

Hardin Township	\$ 12,580
Iowa Township	3,560
Oxford Township	14,040
Johnson County	<u>1,448</u>
	<u>\$ 31,628</u>

NOTE 9 – COMMITMENTS

The City of Oxford has entered into a contract with the County of Johnson, Iowa. The County, through the Johnson County Sheriff's office, will supply police protection to the City. The City agrees to pay the County \$1,430 per month for the service. The contract may be terminated by either party by providing six months written notice.

City of Oxford
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 9 – COMMITMENTS (Continued)

The City has entered into a contract with Johnson County Refuse for garbage disposal. The City paid \$26,161 for this service for the year ended June 30, 2005.

On December 11, 2003 the City of Oxford entered into a 28E road maintenance agreement with the County of Johnson, Iowa for maintenance of roads where the City annexed certain property which will access onto the roads and right-of-ways mentioned in the agreement. The agreement sets forth the division of maintenance responsibility. This agreement shall be in effect for five years and automatically renew for an additional five year period unless the County or City objects in writing prior to the renewal date.

REQUIRED SUPPLEMENTARY INFORMATION

City of Oxford
Budgetary Comparison Schedule
of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts			
Property tax	\$ 109,400	\$ -	\$ 109,400
Tif Revenues	129,820	-	129,820
Other city taxes	3,916	-	3,916
Licenses and permits	2,824	-	2,824
Use of money and property	4,096	-	4,096
Intergovernmental	98,123	-	98,123
Charges for services	-	215,198	215,198
Miscellaneous	12,981	-	12,981
Total receipts	<u>361,160</u>	<u>215,198</u>	<u>576,358</u>
Disbursements			
Public safety	26,957	-	26,957
Public works	95,722	-	95,722
Culture and recreation	18,427	-	18,427
Community and economic development	877	-	877
General government	39,892	-	39,892
Debt service	134,193	-	134,193
Business type activities	-	410,770	410,770
Total disbursements	<u>316,068</u>	<u>410,770</u>	<u>726,838</u>
Excess of receipts over disbursements	45,092	(195,572)	(150,480)
Other financing sources, net	<u>(19,064)</u>	<u>19,064</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements and other financing uses	26,028	(176,508)	(150,480)
Balance, beginning of year	<u>85,815</u>	<u>311,725</u>	<u>397,540</u>
Balance, end of year	<u>\$ 111,843</u>	<u>\$ 135,217</u>	<u>\$ 247,060</u>

Budgeted Amounts		Final to Net Variance
Original	Final	
\$ 104,441	\$ 104,441	\$ 4,959
122,000	127,000	2,820
5,559	5,559	(1,643)
1,800	1,800	1,024
1,700	1,700	2,396
83,000	83,000	15,123
188,000	200,400	14,798
1,000	8,000	4,981
<u>507,500</u>	<u>531,900</u>	<u>44,458</u>
29,700	29,700	2,743
80,000	96,200	478
12,600	20,000	1,573
1,500	1,500	623
41,400	41,400	1,508
131,232	131,232	(2,961)
357,908	412,650	1,880
<u>654,340</u>	<u>732,682</u>	<u>5,844</u>
(146,840)	(200,782)	50,302
<u>200,000</u>	<u>200,000</u>	<u>(200,000)</u>
53,160	(782)	(149,698)
235,958	235,958	161,582
<u>\$ 289,118</u>	<u>\$ 235,176</u>	<u>\$ 11,884</u>

See accompanying independent auditor's report.

City of Oxford
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$78,342. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the public works, culture and recreation, debt service, and business type activities functions.

OTHER SUPPLEMENTARY INFORMATION

City of Oxford
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the Year Ended June 30, 2005

	Special Revenue		
	Employee	Urban	
	Benefits	Renewal	
		Tax Increment	Total
Receipts:			
Property tax	\$ 6,382	\$ -	\$ 6,382
TIF revenues	-	129,820	129,820
Total receipts	6,382	129,820	136,202
Disbursements:			
Operating:			
Public works	8,352	-	8,352
Culture and recreation	-	2,513	2,513
General government	208	-	208
Total disbursements	8,560	2,513	11,073
(Deficiency) excess of receipts			
(Under) over disbursements	(2,178)	127,307	125,129
Other financing uses:			
Operating transfers out	-	(114,583)	(114,583)
Total other financing uses	-	(114,583)	(114,583)
Net change in cash balances	(2,178)	12,724	10,546
Cash balances beginning of year	2,751	41,960	44,711
Cash balances end of year	\$ 573	\$ 54,684	\$ 55,257
Cash Basis Fund Balances			
Unreserved:			
Special revenue fund	573	54,684	55,257
Total cash basis fund balances	\$ 573	\$ 54,684	\$ 55,257

See accompanying independent auditor's report.

City of Oxford
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Proprietary Funds
As of and for the Year Ended June 30, 2005

	Enterprise Funds	
	Garbage	Total
Operating receipts:		
Charges for services	\$ 28,421	\$ 28,421
Total receipts	<u>28,421</u>	<u>28,421</u>
Operating disbursements:		
Business type activities	27,025	27,025
Total disbursements	<u>27,025</u>	<u>27,025</u>
Net change in cash balances	1,396	1,396
Cash balances beginning of year	<u>3,289</u>	<u>3,289</u>
Cash balances end of year	<u>\$ 4,685</u>	<u>\$ 4,685</u>
Cash Basis Fund Balances		
Unreserved	<u>4,685</u>	<u>4,685</u>
Total cash basis fund balances	<u>\$ 4,685</u>	<u>\$ 4,685</u>

See accompanying independent auditor's report.

City of Oxford
Schedule of Indebtedness
For the Year Ended June 30, 2005

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds			
Water	October 24, 1990	6.00-7.30%	\$ 315,000
Fire Truck	July 1, 2002	5.25%	165,000
Water and sewer improvements	January 15, 2002	4.25%	100,000
Water improvements	June 16, 2004	4.45%	250,000
Urban Renewal Tax Increment Financing			
SRF water construction	July 21, 2000	3.53%	322,000
Revenue notes			
Sewer	May 10, 1995	4.54%	262,000
Water tower & improvements	July 21, 2000	3.53%	173,000
Total			

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 60,000	\$ -	\$ 30,000	\$ 30,000	\$ 4,565	\$ -
143,000	-	11,000	132,000	7,674	-
60,000	-	20,000	40,000	2,550	-
250,000	-	25,000	225,000	10,729	-
513,000	-	86,000	427,000	25,518	-
274,000	-	13,000	261,000	9,809	-
171,000	-	13,000	158,000	7,849	-
147,000	-	7,000	140,000	5,263	-
\$ 318,000	\$ -	\$ 20,000	\$ 298,000	\$ 13,112	\$ -

See accompanying independent auditor's report.

City of Oxford
Bond and Note Maturities
For the Year Ended June 30, 2005

General Obligation Bonds

Year Ending June 30,	Water		Fire Truck	
	Issued October 24, 1990		Issued July 1, 2002	
	Interest Rates	Amount	Interest Rates	Amount
2006	7.30%	30,000	5.25%	11,000
2007	-	-	5.25%	11,000
2008	-	-	5.25%	11,000
2009	-	-	5.25%	11,000
2010	-	-	5.25%	11,000
2011	-	-	5.25%	11,000
2012	-	-	5.25%	11,000
2013	-	-	5.25%	11,000
2014	-	-	5.25%	11,000
2015	-	-	5.25%	11,000
2016	-	-	5.25%	11,000
2017	-	-	5.25%	11,000
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
Total		<u>\$ 30,000</u>		<u>\$ 132,000</u>

Year Ending June 30,	Water and Sewer		Water Improvements		Total
	Issued January 15, 2002		Issued June 16, 2004		
	Interest Rates	Amount	Interest Rates	Amount	
2006	4.25%	20,000	4.45%	25,000	86,000
2007	4.25%	20,000	4.45%	25,000	56,000
2008	-	-	4.45%	25,000	36,000
2009	-	-	4.45%	25,000	36,000
2010	-	-	4.45%	25,000	36,000
2011	-	-	4.45%	25,000	36,000
2012	-	-	4.45%	25,000	36,000
2013	-	-	4.45%	25,000	36,000
2014	-	-	4.45%	25,000	36,000
2015	-	-	-	-	11,000
2016	-	-	-	-	11,000
2017	-	-	-	-	11,000
2018	-	-	-	-	-
2019	-	-	-	-	-
2020	-	-	-	-	-
Total		\$ 40,000		\$ 225,000	\$ 427,000

					Revenue Notes
Year Ending June 30,	Sewer		Water Tower and Improvements		Total
	Issued May 10, 1995		Issued July 21, 2000		
	Interest Rates	Amount	Interest Rates	Amount	
2006	4.54%	13,000	3.53%	7,000	20,000
2007	4.54%	14,000	3.53%	7,000	21,000
2008	4.54%	14,000	3.53%	8,000	22,000
2009	4.54%	15,000	3.53%	8,000	23,000
2010	4.54%	16,000	3.53%	8,000	24,000
2011	4.54%	16,000	3.53%	9,000	25,000
2012	4.54%	16,000	3.53%	9,000	25,000
2013	4.54%	17,000	3.53%	9,000	26,000
2014	4.54%	18,000	3.53%	10,000	28,000
2015	4.54%	19,000	3.53%	10,000	29,000
2016	-	-	3.53%	10,000	10,000
2017	-	-	3.53%	11,000	11,000
2018	-	-	3.53%	11,000	11,000
2019	-	-	3.53%	11,000	11,000
2020	-	-	3.53%	12,000	12,000
Total		\$ 158,000		\$ 140,000	\$ 298,000

Urban Renewal Tax Increment Financing Water Construction Issued July 21, 2000		
Year Ending June 30,	Interest Rates	Amount
2006	3.53%	14,000
2007	3.53%	14,000
2008	3.53%	14,000
2009	3.53%	15,000
2010	3.53%	16,000
2011	3.53%	16,000
2012	3.53%	17,000
2013	3.53%	17,000
2014	3.53%	18,000
2015	3.53%	18,000
2016	3.53%	19,000
2017	3.53%	20,000
2018	3.53%	20,000
2019	3.53%	21,000
2020	3.53%	22,000
Total		<u>\$ 261,000</u>

See accompanying independent auditor's report.



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council
Oxford, Iowa

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Oxford as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated June 16, 2006. My report expressed a qualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2004. Except as noted in the Independent Auditor's Report, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Oxford's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of Oxford's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item II-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Oxford's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Oxford and other parties to whom the City of Oxford may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Oxford during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Sincerely,

Ann M Menke

Ann M. Menke
Certified Public Accountant
Professional Corporation
June 16, 2006

**City of Oxford
Schedule of Findings
For the Year Ended June 30, 2005**

Part I: Summary of the Independent Auditor's Results:

- A qualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-05

Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits, posting of the cash receipts journal, payroll processing and disbursement, and cash disbursements and recording are all done by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the City should continue to review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

**City of Oxford
Schedule of Findings
For the Year Ended June 30, 2005**

Part III: Other Findings Related to Statutory Reporting:

III-A-05

Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amount was not stated in the resolution.

Recommendation – The Council should pass a new depository resolution and state the maximum deposit amount to an amount that the City does not expect to exceed.

Response – We will consider this.

Conclusion – Response accepted.

III-B-05

Certified Budget – Disbursements during the year ended June 30, 2005, exceeded the amounts budgeted in the public works, culture and recreation, debt service, and business type activities functions prior to adopting the amended budget. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.20 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-C-05

Questionable Disbursements – No expenditures for parties, banquets, or other entertainment for employees were noted that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

III-D-05

Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-E-05

Business Transactions – No business transactions between the City and City officials or employees were noted.

III-F-05

Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

**City of Oxford
Schedule of Findings
For the Year Ended June 30, 2005**

Part III: Other Findings Related to Statutory Reporting: (Continued)

III-G-05

Council Meetings – Purchase of a mower was not listed nor approved in the Council minutes.

Although minutes of Council proceedings were published, there were instances where the total disbursements by each fund, listing of all claims allowed, and a summary of all receipts were not included. Also, the City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978.

Recommendation – The City should publish approval for major purchases as well as the total disbursements, receipts, a listing of all claims allowed and annual salaries as required by the Code of Iowa.

Response – We will publish all required items, including salaries as required by the Code of Iowa.

Conclusion – Response accepted.

III-H-05

Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted, except the resolution did not state the maximum deposit amount as discussed in finding III-A-05.

III-I-05

Revenue Bonds – The City did not comply with all requirements of the revenue bond resolutions. The resolutions require monthly transfers to a sinking fund.

Recommendation – The City should make monthly transfers as required in the revenue bond resolution.

Response – We will transfer in the future as recommended.

Conclusion – Response accepted.

City of Oxford

Audit Staff

The audit was performed by:

Ann M. Menke, CPA

Carol Ross, CPA

Betty Thomas, CPA